

# FOREIGN POLICY BULLETIN

*An interpretation of current international events  
by the Research Staff of the Foreign Policy Association*



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## ***New Cabinet Upset Deepens French Crisis***

The resignation of the Schuman cabinet on September 7, only two days after the announcement of its formation, has further deepened the French political crisis. The new government had partially met the demand of labor for substantial wage increases by a straight wage bonus of 2,500 francs (about \$8.35) and the promise of a general raise of 1,500 francs a month. Although this move made possible the participation of the Socialists who had previously been unwilling to undertake any cabinet responsibility, it brought increased opposition from the Right which, combined with the Communists, caused a defeat of 295 to 289 on the first Assembly vote. The surprise defection of a group of Radical Socialists may be considered to have turned the scale. In protest against this evidence of parliamentary irresponsibility, Edouard Herriot, president of the Assembly and a former Premier, resigned from the executive committee of the Radical party. The failure of party groups to put the stability of the government above their own sectional interests may result in such disintegration as to leave the field open for an authoritarian group to seize power and silence opposition by force.

Thus the crisis which has now caused the fall of three Center or "Third Force" coalition governments during the summer has far-reaching implications not only for France but for Europe and the world. In the immediate future, however, it is important to understand the problems confronting France's economy in general, and French industrial workers in particular.

### ***Workers' Demands***

The French worker faces a continuing fall in his real standard of living, spending well over three-quarters of his pay for food alone. Meanwhile, despite the efforts and promises of the government, food prices continue to rise. Thus the cost of living rose 9.3 per cent from July to August, food prices going up an average of 10 per cent, with beef rising as much as 22 to 28 per cent.

Confronted by this continuing rise in cost of living, the non-Communist trade unions of the Force Ouvrière, which had previously supported the government in its attempt to stabilize prices and wages, joined the Communist-dominated unions of the C.G.T. in demanding substantial pay increases. On September 1 the Force Ouvrière asked for an increase in the minimum wage from 10,500 francs to 13,350, while the C.G.T. was demanding 13,500 (approximately \$45). Both groups joined the Christian Workers' Federation, a Catholic group, in urging an immediate bonus of 3,000 francs a month pending determination of new rates.

The failure of the government to grant these increases might have resulted in a swing of workers to the C.G.T. as well as electoral switches from the Socialists to the Communists. This prospect explains the intransigence of the Socialist party, which not only brought about the downfall of the last two cabinets but at first refused to join the new government. Schuman's final capitulation to Socialist

demands for wage increases which made possible the new coalition cabinet was no doubt also influenced by pressure from his own Popular Republican party whose labor support from the Catholic unions was similarly threatened.

### ***The Dollar Problem***

Wage increases, however, jeopardize the solution of the all-important "dollar problem," key to the national economic crisis. Although the value of French exports has been increasing, imports have grown even more rapidly. Thus the trade deficit for June was 16,900 million as compared with 15,600 million francs for May. Since this deficit is covered by credit from the United States, France, in a sense, is living on "charity." Termination of American aid would cause a widespread close-down of factories, unemployment, and a severe economic collapse. The primary aim of the controversial Reynaud plan, adopted by the Assembly in mid-August, was to restore trade equilibrium as a basis for long-term stability.

This goal can be arrived at only if several corollary problems are solved. The first of these is inflation. The rising prices of French goods make it more and more difficult to sell them abroad. But the inflation cannot be halted so long as governmental expenditures continue to exceed revenue, forcing reliance on the issuance of paper money. The remedy lies in reduction of expenses and increase of taxation. The former approach implies cutting down government services, keeping a lid

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on wages, and putting nationalized industries on a profitable basis. The latter means further levies upon the population. Both types of measure will encounter strong resistance from groups of the population capable of unseating the government.

Another fundamental question in France is the role of agriculture. Present market prices are so low that the peasants are tempted to hoard their produce and resort to illegal outlets, meanwhile indulging in large-scale tax evasion. This accounts for the anomaly of large herds in the country and an acute meat shortage in the cities. Aside from coercion, the chief remedy here seems to be an increase in prices to the point where farmers will sell in the open market. Then good harvests, plus imports, may ultimately bring prices down. But to meet the demands of labor, the government pledged itself to hold food prices steady, and meanwhile resorted to extensive wheat imports to supplement deficient deliveries from the countryside. This policy accentuated the dollar problem, leaving less credit available for imports of machinery and other capital equipment.

Still another major issue is that of plant improvement and greater efficiency of production. But the prerequisite expansion of capital equipment can only be achieved by internal savings or imports. The avowed purpose of the ERP to facilitate the import of these goods is frustrated in the first instance by demands for food and raw materials. At the same time, there has been some question about the ultimate willingness of the ECA to finance the growth of competitive industries in the Marshall plan countries. Internal savings can only be achieved by reduced spending on consumer goods and greater savings, which offer the only alternative source of funds either through taxation or voluntary investment. This, again, is incompatible with great increases in wages.

Some improvement in France's dollar position may be made by substituting imports from nondollar sources for American imports. Thus it was announced on August 22 that France would reduce coal purchases in the United States for 1948-49 by about two-thirds, buying Polish and

British coal instead. This will effect a saving of from \$60 to \$80 million. Even this, however, will raise new problems. Thus the reduction in shipping on American coal carriers may give rise to pressure on the ECA from shipping interests and maritime unions to inhibit the trend. There may also be sentiment that the shipment of machinery to Poland, which will be necessary to pay for the coal, contravenes the ban in the ERP Act on sending potential military materials to Eastern Europe. In any case, this represents a useful marginal rather than a frontal attack upon the dollar problem. Very limited alternatives now confront the moderate parties. Failing a desperate last attempt to form another Center coalition, President Auriol may call for some sort of government of national union including the parties of one extreme or the other. M. Herriot himself has been mentioned as the possible leader of such an effort. If in the last analysis it proves impossible to obtain a majority, no alternative will remain but the dissolution of the Assembly and the holding of new elections.

FRED W. RIGGS

## ***Can Western Europe Unite?***

As the military governors of the four great powers were discussing the problems of lifting the Russian blockade and introducing a single currency in Berlin, a crowd of German Communists, with Russian backing, forced the Berlin City Assembly on September 6 to evacuate the City Hall and to retreat from the Russian sector of the capital to the British sector. This crisis had been anticipated for some time by the representatives in Germany of the Western powers, who had foreseen that the Russians would put the screws on the Berlin population with the object of ousting the Western Allies from Berlin or, if that proved impossible, of obtaining the best possible terms in the current negotiations.

### ***German Split Deepens***

Observers on the spot had pointed out in the course of the as yet secret conversations of the Western envoys with Stalin and Molotov that Russia had improved its bargaining position by insisting on the use in Berlin of the Russian-zone currency instead of the currency issued in the Western zone. At the same time, there are indications that Russia is ready to lift the

blockade on Berlin, which has brought on a counterblockade against Eastern Germany, with resulting grave shortages of equipment and raw materials normally imported from the industrial Western region of the country. The immediate effect of the coup against the Berlin City Assembly, however, will be to widen further the two-way split of the wrecked city, since it is expected that the German Communists, under Russian sponsorship, will set up their own rump government in the Russian sector, while the non-Communist members of the Assembly attempt to function in the section of the city controlled by the Western powers. Meanwhile, on September 1, sixty-five representatives from eleven German states west of the Elbe, meeting in the university city of Bonn, started on the arduous task, expected to last two or three months, of drawing up a constitution for Western Germany. Konrad Adenauer, member of the Christian Democratic party, is president of the Bonn Constitutional Assembly.

### ***Hurdles to Unity***

With Germany, at the heart of Europe, torn between East and West, the nations

of Western Europe are striving to find some way of achieving an economic and political unity that would safeguard them from pressure by Russia, as well as from possible encroachments by a revived Germany. At The Hague, where an unofficial conference, the Congress of Europe, was held in May under the leadership of Winston Churchill, and at Interlaken, where the European Interparliamentary Union Congress, also an unofficial organization, convened during the first week in September, strong pleas have been made for European federation. While there is no doubt that much sentiment exists in favor of greater unity among the nations of Western Europe, this sentiment has not yet been crystallized in official policy. Many European leaders are aware that the United States would welcome concrete steps toward unification, and on occasion tend to exaggerate the trend in that direction with the hope of pleasing American public opinion.

In harsh reality, however, Europeans see many obstacles to the realization of centuries-old hopes for unification of the continent. When the Brussels fifty-year alliance was concluded by Britain, France,

The Netherlands, Belgium and Luxembourg in March,\* at the time that President Truman was urging the United States to support Western Europe, this alliance was regarded by some as a first step toward greater unity. The Brussels signatories, however, are reluctant to proceed too far with plans for military co-operation until they know exactly how much military aid they can expect to obtain from the United States in case their alliance provokes retaliation by Russia. Washington, for its part, while welcoming any move that might strengthen Western Europe, would like to see the nations of the Atlantic seaboard rely as much as possible on their own self-help. Yet if Britain and France are to build up their military strength to the point where they could hope to resist an initial Russian onslaught, they would have to divert more and more of their resources of manpower, raw materials and industrial skills to military preparations. This, in turn, would defeat the objective they share in common with the United States—and that is economic reconstruction of their peacetime economies within the four-year period envisaged by the European Recovery Program. The Western European nations are thus confronted with the choice once defined by Goering as “guns or butter.” And since the United States, under the ERP, is committed to aiding European reconstruction, it, too, has to share in making this difficult choice.

### Rift in ERP

The nations of Western Europe, moreover, do not find themselves in agreement with the American Military Government in Germany regarding the allocation of ERP funds. The United States, naturally concerned with the problem of easing the burdens of the American taxpayer, has been anxious to rebuild Western German production as rapidly as possible so that the Germans can export goods and thus purchase abroad the food and raw materials now supplied in large part with American funds. For the same reason, this country has favored curtailment, or even abandonment, of German reparations and

restitution. This view, understandably, is not popular among Western Europeans, whose economies were either shattered by the Nazis, or distorted to suit the requirements of Hitler's war machine. The latent conflict between the United States and the Western European nations came to the surface on August 19, when the Council of the Organization for European Economic Co-operation, which under the ERP is supposed to allocate American funds among the sixteen Marshall plan nations, decided in Paris that the British and American zones of Germany should receive only \$364 million. General Clay's economic adviser, Lawrence Wilkinson, however, insisted that Bizonia should be granted \$450 million, and hinted that, unless the European Council complied with this demand, the American Congress might be unwilling to allocate further funds under the ERP. Neither Britain, which fears German competition in world markets, nor France, which dreads the revival of German industry, potential source of German armaments, is enthusiastic about seeing the economy of Germany restored on a large scale with American aid.

To these fundamental problems which, for the time being, impede plans for European unification, must be added two other factors. First, Britain, which would be expected to play an important role in any economic and political combination of Western nations, has been reluctant to commit itself to a Western European union without first obtaining the approval of the British Dominions. It should be pointed out however that Canada's External Affairs Minister, Louis St. Laurent, who is expected to become Prime Minister this autumn on the retirement of William L. Mackenzie King, urged on September 7 in Toronto “the immediate establishment of a North Atlantic security system,” comprising “the United Kingdom, the United States, Canada and the free countries of Western Europe.” Second, the Scandinavian countries, which might otherwise welcome a European federation, and are at present discussing plans for a Scandinavian customs union, are wary of entering any grouping that might become an anti-Russian coalition; and Sweden continues to pin more hope on neutrality

than on any alliance. The only important nation in Western Europe which has shown marked enthusiasm for European federation is France—but France is now so beset with its own economic and political difficulties that, for the present at least, it cannot be expected to assume the leadership on the continent which it enjoyed in more fortunate periods of its history. For the time being, fear of Russia's aspirations on the continent has not yet acted as a sufficiently strong catalyst to bring about a cohesive Western European union—although the mere prospect of such a union has been denounced by Moscow as a fresh attempt to organize an anti-Russian coalition.

VERA MICHELES DEAN

*The Constitutions of the Americas*, edited by Russell H. Fitzgibbon and others. Chicago, University of Chicago, 1948. \$10.00

Careful translations of the constitutions of the American Republics in force at the beginning of 1948, with brief summaries of the constitutional history of each of these countries. Both the specialist in inter-American affairs and the student of comparative public law will find this collection, the bibliography, and the topical index extremely useful.

*The Constitutions of Colombia*, edited by William M. Gibson. Durham, North Carolina, Duke University, 1948. \$6.00

These English translations of Colombia's ten constitutions give an insight into the difficulties which the Colombian people have met in their search for a form of government appropriate to the realities of their situation. The constitutions are arranged chronologically, each preceded by an historical and analytical introduction, and are indexed both topically and chronologically.

*The Chinese Student Movement*, by Wen-Han Kiang. New York, King's Crown, 1948. \$3.00

A history of the Chinese student movement and its effect on the national life in China.

*Iceland: New World Outpost*, by Agnes Rothery. New York, Viking, 1948. \$3.75

This book, written primarily for travelers to Iceland, also touches on that country's role in world affairs.

*Cartels or Competition*, by George W. Stocking and Myron W. Watkins. New York, The Twentieth Century Fund, 1948. \$4.00

This is the second in a series of three volumes on the problem of the decline of competition in domestic and foreign trade. The impact of monopolistic practices on the terms and volume of international trade is discussed. Considerable attention is also given to the increasing role of state trading monopolies, a movement which became most active during the war years. This development, the author rightly notes, is a direct challenge to the American policy of fostering competitive enterprise in domestic and foreign trade.

\*See *Foreign Policy Bulletin*, March 19, 1948.

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### Program Ideas

Annual reports of activities being submitted to National Headquarters by FPA Branches and Affiliates contain many novel ideas which might be used in other communities. In many cases a high type of programing was achieved by close association with schools and colleges. Most educational institutions are interested in foreign policy, and if they have already established programs on world affairs, these programs can often be shared by community groups. Co-operation of this type, although not new, is a trend which might be more widely followed with benefit to all.

In Milwaukee the Foreign Policy Association, through cosponsorship with the Milwaukee State Teachers College, initiated an evening study group on international affairs, and worked with a local high school on a project about the United Nations.

In Cleveland the Council on World Affairs held a student Model International Conference in co-operation with Western Reserve University. For some months it has also broadcast student radio programs in connection with the Cleveland public schools.

In Philadelphia the FPA worked with the University of Pennsylvania and other colleges in the area in establishing campus programs on world affairs. In Oklahoma City, FPA meetings were held jointly with the League of Women Voters, the Library Association, and the University of Oklahoma Forum.

The Detroit FPA collaborated with the Foreign Affairs Committee of the Detroit Board of Commerce in sponsoring a general public meeting on Latin America. It also worked with the Detroit public schools in staging the Third Annual Student United Nations Conference; and it joined the Foreign Affairs Round Table in conducting luncheons and supplying speakers.

Youth programs sponsored by the Cleveland Council on World Affairs, "Roads to World Understanding," were held in co-operation with the Cleveland press, the Cleveland Public Library, and the Cleveland Museum of Art. Sixty-seven different city and suburban schools were represented at the meetings.

The Northern California Council on World Affairs helped the Institute of In-

ternational Relations at Mills College in initiating an institute devoted to training discussion leaders. In May the Council, co-operating with other organizations in the Bay Area, also sponsored the Pacific Regional Conference on UNESCO attended by 3,000 persons from seven Western states, Alaska and Hawaii.

The Foreign Policy Association in Utica, New York, joined with fifteen organizations and with Utica College in the setting up of a group discussion program. An interesting feature of this joint project was the participation of the CIO and AFL.

The *Cincinnati Post* and Radio Station WLW co-operated with the Cincinnati Foreign Policy Association in providing a trip to the United Nations sessions at Lake Success, with cash awards and FPA memberships as prizes for a "What Do You Think" letter contest.

Student activities in Hartford, Connecticut, are frequently held in connection with schools and colleges in the community. The first college gathering was at St. Joseph College with a speaker from the University of Connecticut. The second meeting was held at Trinity College with a speaker from Oxford University. High school groups met at Hartford Junior College.

In Pittsburgh the FPA conducted a series of fifteen broadcasts in co-operation with the International Relations Club of the five colleges in the community. The Fifth District of Federated Clubs joined with the Minneapolis, Minnesota high schools in sponsoring FPA student memberships. The Shreveport, Louisiana FPA has expanded its services to the community. Weekly public meetings on United States foreign policy were held at the Centenary College Student Center in Shreveport.

The Speakers Bureau of the Cincinnati FPA sponsored a community rally in Mariemont, a Cincinnati suburb. All questions submitted to the panel of speakers were supplied by the audience which overflowed the Mariemont High School Auditorium. This unusual type of suburban programing was given wide publicity throughout the country.

Community education in world affairs is a co-operative enterprise. It is most effective when community programs are the product of joint organizational effort.

*The World Council of Churches* decided in the closing minutes of its final plenary session on September 4 to moderate the report it had formally received on September 2 concerning the attitude of the churches toward communism and capitalism. The original report had described both communism and capitalism as incompatible with the Christian way of life. The revised text read: "The Christian Churches should reject the ideologies of both communism and laissez-faire capitalism and should seek to draw men away from the false assumption that these extremes are the only alternatives."

... *With the Spanish case due for discussion* by the General Assembly of the UN at Paris, Generalissimo Franco has taken a number of steps calculated to place his regime in a more favorable international light and to stifle internal opposition. Among these steps were his interview on August 25 with Don Juan the Pretender aboard a yacht when it was agreed that Don Juan's young son should be educated in Spain; and the calling of municipal elections for November, the first since before the Civil War. ... Formation of a "North China People's Government" was announced by the Communist radio in North Shensi on September 1. Meeting from August 7 to 19, an Assembly representing some government-held areas as well as the Communist-controlled regions, elected officers and passed laws. ... The death on August 31 of *Andrei A. Zhdanov*, Cominform chief, has aroused widespread speculation concerning the future course of Soviet foreign policy. Stalin, it is thought in some quarters, may now mollify Russia's attitude toward Marshal Tito, target of bitter Cominform attacks, who had already appealed to the Russian dictator over the head of Zhdanov. ... Events in Poland, however, do not so far support this theory. The *Polish Communist party* has been split on the same issues: the relative weight to be given to national interests, as compared with the international objectives of the Cominform; and the pace of socialization, especially in agriculture. Wladislaw Gomulka, the party's secretary-general, who urged greater consideration for Poland's national interests and a slower pace in agricultural transformation, has been supplanted by Poland's President, Boleslaw Bierut, a firm supporter of Russia and the Cominform.